

DEFINITIONS

- 1. Total Compensation.** Includes salary, stipends, cash option, bonuses, and other wages that were earned in the current period that equals 12 full months of service. This figure *does not include* other amounts that were earned in years prior to the current period such as unused sick leave, vacation, or other types of severance pay that are based on past years of service.

 - For fulltime employees who will work through the end of the affected calendar year, total compensation is the amount estimated you would earn through the end of that year.
 - For full-time employees who work a partial year (for example, employees who will retire at some specific point during the calendar year), total compensation will include an amount from the *previous calendar year sufficient to equal a full 12-month period of service*.
 - For part-time employees, count compensation from multiple calendar years to equal the equivalent of a full 12-month period of service. For example, a half-time employee doing calculations for the year 2005 will include the full one-half time compensation from the years 2004 and 2005.

- 2. Includible Compensation.** This is “Total Compensation” minus any Mandatory Employee Pre-Tax Reductions. Usually these reductions are the employee’s picked up contributions (which come from your paycheck on a pre-tax basis to either STRS or PERS). Be sure that the reductions reflect the actual period used to determine “Total Compensation.” Mandatory Employee Pre-Tax Reductions may also include your pre-tax contributions to an Alternative Retirement Plan such as 403(b), 457(b), or 401(a), but only if those contributions are *mandatory*. *Do not* subtract voluntary employee salary reductions to a TSA and Roth 403(b) Plan, a DCP/457(b) Plan, or to a Section 125 Cafeteria Plan. *Employer contributions* to any type of retirement plan are *never* a part of includible compensation.

- 3. Other Deductions.** You are not permitted to reduce your salary to the TSA and Roth 403(b) and/or DCP/457(b) Plans by an amount that does not permit other voluntary or mandatory salary deductions that are taken from your paycheck. This will include such items as your social security contributions (for certain employees), union dues, credit union payments or savings, health insurance premiums, etc. See your most recent paycheck for details.

- 4. Years of Service.** To determine whether or not you have 15 or more years of service with your Employer for 402(g) catch-up purposes, you will need to understand the rules regarding IRS regulations contained in Section 403(b):

 - Always count service with *this Employer only*. *Do not include service with other Employers*.
 - Consider service credit through the end of the calendar year for which you are doing the calculation.
 - Use fractions for partial year employees, or part-time employees. For example:
 - An employee terminating at the end of June has one-half of a year of service in the year employment is terminated.
 - A newly hired employee will count a fraction of the first year actually worked.
 - Part time employees must count a fraction for each year of part-time service. A half-time employee will have one-half year of service for each calendar year of half-time employment.

- Count all years of service with this Employer, even if the service is interrupted. For example, if you worked for this Employer for 5 years, left this Employer and later returned to work for this Employer for 8 years, you will have 13 years of service with this Employer.
- To determine whether an employee is a full-time employee, compare the work schedule with other similar employees. For example: a teacher who teaches only one semester compared to two semesters for full-time teachers has one-half of a year of service.

OTHER DEFINITIONS

The following definitions are of general interest in some of the terms used for your TSA and Roth 403(b) Plan and other related plans:

TSA/403(b) Plan: A tax-sheltered plan that permits you to defer taxes on salary reductions that you elect to voluntarily contribute.

Investment options for public education employees are limited to 403(b)(1) annuities (either fixed or variable annuities), 403(b)(7) custodial mutual fund accounts, and Roth 403(b) accounts. *You may not direct contributions to individual stocks or bonds.*

DCP/457(b) Plan: A pre-tax plan that permits you to defer taxes on salary reductions that you elect to voluntarily contribute. For years after 2001, the contribution limits for DCP/457(b) plans will be identical to the salary reduction contribution limits for TSA and Roth 403(b) plans. Salary reductions to a DCP/457(b) Plan no longer are required to be coordinated with the salary reductions to the TSA and Roth 403(b) Plan.

Investment options for public education employees are expanded to permit individual stocks and bonds in addition to annuities and mutual funds in retirement trust arrangements.

SAR-SEP: If you have a SAR-SEP Plan with another employer, it is an elective deferral that offsets the salary reductions you are making to your TSA and Roth 403(b) Plan. This represents salary reduction contributions to a SEP Plan. New SAR-SEP plans are no longer permitted, however SAR-SEPs established in earlier years are grandfathered and can be retained.

SIMPLE IRA or SIMPLE 401(k) Plan: If you have a SIMPLE IRA or SIMPLE 401(k) with another employer, any salary reduction contributions you are making to the plan will offset the salary reductions you are permitted to make to your Employer's TSA and Roth 403(b) Plan.